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## Why Investors Must Do More Than Divest From Fossil Fuels

Dan Apfel | June 17, 2013

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*Photo by Reuters.*

Eleven cities, including San Francisco and Seattle, are moving towards divesting from fossil fuel companies. Unity College, Hampshire College, College of the Atlantic, Sterling College and Green Mountain College have all committed to divest. Thousands of activists across the country have mobilized for divestment on college campuses. Two weeks ago students at the Rhode Island School of Design held a sit-in until their president responded to their demands for divestment. Environmental organizations [1], pension funds [2] and foundations are all being targeted for their investments in fossil fuels.

These investors are being pushed to make a powerful statement with their money: that they refuse to make money by destroying the climate. This step towards divestment is crucial, but it is not enough. It is time we demand our institutions step up and invest in solutions to climate change—not for purely environmental reasons—but also to protect their money and institutions against global warming’s devastating effects.

The experts at the World Economic Forum recently looked at data from the major financial firms researching climate change. What they found is startling: the world needs immense new investments in renewable energy, energy efficiency and other climate solutions—\$700 billion annually—if we are to limit the impacts of climate change.

Investors, including the colleges, pension funds, foundations and churches that as citizens we participate in and benefit from, together have trillions of dollars that can be used to confront this crisis. Yet these organizations are directly supporting the disruption of our climate and its devastating impacts by refusing to take action with their money. Even those who have divested have not done enough. They now must evaluate how they can actively use their investments to limit the impacts of climate change.

It is time to shift money into solutions to climate change. These solutions in particular need investment, and a lot of it, now. While one college or pension may not be able to finance the move to a new, low-carbon economy themselves, when many shift their investments they can dramatically increase investments in this area.

From the investment perspective, there is also plenty of money to be made investing in the transition from fossil fuels. While government spending and regulation would undoubtedly make more climate change solutions profitable, many of these investments are viable right now. If major investors were to move even 5 percent of their money, they could help to open more investment opportunities and build pressure for policy change.

These changes will only become easier to make: large investors already find hundreds of opportunities in all shapes and sizes. It is possible to invest in building wind farms, smart grid technology, energy efficiency and environmental restoration. There are options with respected investment firms that focus on sustainability in public companies. It is even possible to invest in projects that restore the United States’ aging public water systems, develop public transportation and build sustainable local communities.

Deutsche Bank recently published [a series of reports report about investing in climate change](#) <sup>[3]</sup> that discuss the profitability of these investments. This research recommends that investors allocate at least 5 percent of their investment portfolio to climate-change “themed” investments: those that particularly deal with reducing greenhouse gas emissions or limiting the impacts of climate change. Some major investors are already following that advice.

Yale University, for example, reported \$1.4 billion of a \$16.7 billion endowment (8.4 percent) invested in climate change related investments—[alternative energy, clean technology, and sustainable forestry](#) <sup>[4]</sup>, in 2009.

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While some investment professionals may fight divestment and investing sustainably, there is no reasonable argument to be made against investing in the low-carbon economy over the long-term.

Divesting from fossil fuels may still be the largest statement that an investor can make with their money.

But if we are serious about action on climate change, we should demand that they also invest in the technologies, projects and infrastructure that will help to limit climate change and mitigate its effects. Our colleges, other charities, pension funds, and foundations must be the ones to lead the way.

Five percent of the money in these public purpose and publicly related institutions adds up to about \$400 billion.

Four hundred billion dollars in new investments could stimulate real climate solutions, help create the market for further investments, encourage policy change and sustain financial returns long into the future. Students, workers, and citizens can demand more than divestment. If it is not possible to invest in our future, there is no reason to invest at all.

*Read Mark Hertsgaard and Terry Tempest Williams on the future of nuclear power [6].*

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**Links:**

- [1] <http://www.thenation.com/article/174149/why-arent-environmental-groups-divesting-fossil-fuels>
- [2] <http://www.guardian.co.uk/environment/2013/apr/25/us-cities-climate-divestment-fossil-fuels>
- [3] [http://www.dbcca.com/dbcca/EN/investment\\_research.jsp](http://www.dbcca.com/dbcca/EN/investment_research.jsp)
- [4] [http://www.yale.edu/investments/Yale\\_Endowment\\_09.pdf](http://www.yale.edu/investments/Yale_Endowment_09.pdf)
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- [6] <http://www.thenation.com/article/174733/pandoras-terrifying-promise-can-nuclear-power-save-planet>